



# NEWS RELEASE

CALIFORNIA STATE TREASURER PHIL ANGELIDES

FOR IMMEDIATE RELEASE  
September 23, 2004

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**CALIFORNIA TREASURER ANGELIDES, CALPERS, CALSTRS JOIN  
CEO OF PUTNAM INVESTMENTS TO ANNOUNCE PUTNAM'S  
COMMITMENT TO BROAD, NEW ARRAY OF PROTECTIONS  
AND DISCLOSURES FOR MUTUAL FUND INVESTORS, FINANCIAL ADVISORS**

*Putnam's Agreement to Implement Reforms and to Review  
Its Executive Compensation Proxy Voting Restores  
Firm's Right – After 2003 Termination – to Compete for CalPERS and CalSTRS Business*

SAN FRANCISCO – California State Treasurer Phil Angelides, joined by CalPERS Investment Committee Chair Rob Feckner, CalSTRS Chief Executive Officer Jack Ehnes, and Putnam Investments President and Chief Executive Officer Charles “Ed” Haldeman, Jr., announced today that Putnam Investments has made a groundbreaking commitment to a broad array of new protections and disclosures for its investors, and will immediately launch a review of its proxy voting policy on executive compensation.

Putnam committed today to the adoption of a broad, “best-in-class” array of new protections and disclosures for all investors – giving retail investors the same kind of information that large, institutional investors regularly demand and receive from investment managers. The measures that Putnam is committing to today go beyond the provisions of their settlement with federal and state regulators; exceed those provisions required by the U.S. Securities and Exchange Commission (SEC); and exceed standard mutual fund industry practices.

As a result of Putnam's new commitments, the company will once again be eligible to compete for business with CalPERS and CalSTRS, just like other companies, subject to the same terms and conditions imposed by the two pension funds' respective professional investment staffs.

“Today's joint announcement by CalPERS, CalSTRS and Putnam Investments is a victory for investors and financial advisors,” Treasurer Angelides said at a news conference at San Francisco's Pacific Exchange. “It provides American families who invest in mutual funds with valuable new protections and disclosures. These reforms are another important step toward open and transparent financial markets, where consumers have the information they need to make the investment choices that are best for them. Putnam's commitment is more proof that when investors use the power of the purse, they can affect real change in our financial markets.”

In late 2003, CalPERS (California Public Employees' Retirement System) and CalSTRS (California State Teachers' Retirement System) terminated their combined \$1.5 billion relationships with Putnam, at the urging of Treasurer Angelides, a member of both pension funds' governing boards. At the time, Putnam Investments was embroiled in controversy over its

corporate practices, including the alleged failure to properly monitor the actions of a few investment professionals. In the wake of this turmoil, Putnam has installed a new management team headed by President and CEO Charles “Ed” Haldeman, Jr.; settled with Federal and Massachusetts regulators; initiated voluntary reductions in fund expenses; and established new governance standards.

Over the last three months, representatives of the State Treasurer’s Office, CalPERS and CalSTRS have worked closely with Putnam to develop these new standards.

In addition to the commitments announced today of the broad array of new protections and disclosures for investors, Putnam also has agreed to undertake a special review of mutual fund proxy policies and procedures regarding executive compensation, to be completed prior to the 2005 proxy season. Putnam will consider as part of its review the possibility of disclosing potential conflicts of interest at companies with which it has a business relationship. Putnam’s goal is to pursue voting policies on management and shareholder proposals that promote the long-term best interests of Putnam’s mutual fund shareholders, and that set the industry standard for responsible mutual fund proxy voting on executive compensation.

Putnam’s announced review of its proxy policy comes in the wake of an AFL-CIO study released in August that reported on how the nation’s 10 largest mutual fund families voted on a variety of proxy proposals regarding executive compensation. The report, entitled, “Behind the Curtain,” called on investors to evaluate whether their mutual fund companies were casting proxy votes in a way that is consistent with investors’ best interests.

“Putnam’s actions demonstrate that they are committed to the highest standards of disclosure and business practices,” said Sean Harrigan, President of the CalPERS Board of Administration. “They have taken the right steps to restore stability and integrity in the mutual fund industry. We are pleased that they have met the mutual fund standards and have agreed to review their executive compensation proxy policy.”

CalPERS’ Feckner added, “Putnam has turned itself around, making a commitment to regain the trust of its investors. We hope that other mutual fund companies will follow Putnam’s lead and realize that good governance can also mean good business.”

In addition, CalSTRS’ CEO, Ehnes, said, “Many of our 750,000 members and beneficiaries invest in mutual funds, and for them – the ‘everyday investors’ – Putnam’s commitment to disclosure is a step in the right direction. We have great hope that these necessary governance changes will have a constructive impact on the financial marketplace, as others in the mutual fund industry follow Putnam’s lead.”

“This step is part of Putnam’s and our Trustees’ ongoing commitment to lead the industry in corporate governance and investor protection,” said Putnam CEO Haldeman. “These principles, coupled with the voluntary incentives that we took earlier this year, demonstrate our determination to better serve the interests of our clients and investors.”

Aside from Putnam's commitment to a review of its executive compensation proxy policy, the company committed to the following measures to provide increased information and protections for shareholders:

1. Disclosure of fees – Putnam will provide investors with a Web site “calculator” that will allows investors to project fees they will pay on actual and hypothetical investments.
2. Disclosure of fund manager compensation – Putnam will disclose to investors the aggregate annual compensation paid to each fund's portfolio management team.
3. Disclosure of Senior Management Fund Ownership – Putnam will disclose to investors, within a dollar range, the securities owned by its senior management.
4. Expansion of “Holding Periods” For Senior Executives – Putnam will apply a 12-month mutual fund holding period to senior executives and marketing professionals, as is already required of employees responsible for managing money, including research professionals.
5. Disclosure of Commissions to Largest Broker/Dealers – Putnam will disclose brokerage commissions paid to top tiers of broker/dealers for equity funds.
6. Disclosure of Key Investment Staff Turnover – Putnam will disclose the turnover of any portfolio management team member in the last 12 months, and the name and tenure of any lead portfolio manager over the 3-year and 5-year reporting time frames.
7. Enhanced Fee Disclosure – Putnam will provide a detailed analysis and rationale of its fee schedule on its Web site and, in addition, in its periodic statements (typically, quarterly) will notify investors of the availability of this information in annual and semi-annual reports and on the Web site.

For more information on today's announcement, including a detailed fact sheet on Putnam Investments' new commitments to investors, please visit the Treasurer's Web site ([www.treasurer.ca.gov](http://www.treasurer.ca.gov)).

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**Background on Putnam Investments' New Commitments****To Mutual Fund Investors and Financial Advisors****September 23, 2004**

On November 4, 2003, California Treasurer Phil Angelides called on the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS) to terminate their combined \$1.5 billion relationships with Putnam Investments. The Treasurer's actions followed the filing of civil fraud proceedings by the U.S. Securities and Exchange Commission (SEC) against Putnam and six of its former portfolio managers for allegedly engaging in unlawful "market timing" practices; and the resignation of then-CEO Lawrence Lasser.

CalPERS' Investment Committee voted to terminate CalPERS' \$1.2 billion contract with Putnam on November 17, 2003, and CalSTRS' investment office terminated its \$312 million contract with Putnam on December 4, 2003. Subsequent to that time, Putnam, under a new management team headed by President and CEO Charles "Ed" Haldeman, Jr., settled with Federal and Massachusetts regulators, initiated voluntary reductions in fund expenses and established new governance standards.

Over the last three months, representatives of the State Treasurer's Office, CalPERS and CalSTRS have worked closely with Putnam to develop set of reforms that will make Putnam once again eligible to compete for business with the State's pension funds, subject to the same terms and conditions imposed by the two pension funds' respective professional investment staffs. Putnam today has committed to the adoption of a broad, "best-in-class" array of new protections and disclosures for all investors – giving retail investors the same kind of information that large, institutional investors regularly demand and receive from mutual funds. The standards developed in conjunction with Putnam today go beyond the provisions of their settlement with federal and state regulators; exceed those provisions required by the SEC; and exceed standard mutual fund industry practices.

The following is a summary of the measures to which Putnam Investments has agreed:

1. **Disclosure of Fees.** Putnam has agreed to make available to its retail investors a calculator on its website ([www.putnam.com](http://www.putnam.com)) that will enable investors to calculate their annual fees, based on their prior quarter's balance. The calculator will also allow investors to calculate fees on a hypothetical investment of \$10,000 over 10 years. Putnam has also agreed to include a notice in the periodic reports (typically, quarterly) mailed to each investor detailing where such information will be available on its web site. The purpose of this provision is to provide investors with greater transparency.
2. **Disclosure of Fund Manager Compensation.** The SEC adopted a rule in August that requires disclosure of the methods and factors used to derive portfolio manager compensation – but did not require disclosure of any dollar figures. Putnam has agreed to disclose the aggregate annual compensation paid to the portfolio management team of each fund (teams typically consist of 3 to 5 members). The purpose of this provision is to provide investors with greater transparency by disclosing the compensation that is paid to key investment professionals managing investors' funds. (In cases where a portfolio team member manages more than one

fund, or manages other products at Putnam, his/her compensation will be pro-rated to each mutual fund based on the fund's assets as a percentage of the total assets managed by the portfolio team member. This will convey the total compensation costs of portfolio management to shareholders of each fund.

3. Disclosure of Senior Management Fund Ownership. The SEC adopted a rule in August that requires portfolio management teams to disclose the dollar range of securities owned by portfolio managers. Putnam has agreed to also disclose the same information for their senior management. The purpose of this provision is to make transparent to investors whether senior managers' interests, in addition to portfolio managers, are aligned with their own.
4. Expansion of "Holding Periods" for Senior Executives. . Putnam has agreed to expand its 12-month "holding period" for employees who manage money to its senior executives and marketing professionals. The purpose of this provision is to align the interests of senior executives and marketing professionals with retail investors, and to allow Putnam to better monitor employee trading and prevent "quick trading" activity for these employees.
5. Disclosure of Commissions to Largest Broker/Dealers. Putnam will disclose the percentage of brokerage commissions by equity mutual fund group for the top 5 broker/dealers and for the next 10 broker/dealers in the aggregate. The purpose of this provision is to shed more light on mutual fund-broker/dealer relationships.
6. Disclosure of Key Investment Staff Turnover. Putnam has agreed to disclose the turnover of any portfolio management team member in the past 12 months. In addition, Putnam has agreed to disclose the name and tenure of any lead portfolio manager over the 3-year and 5-year performance reporting time frame. The purpose of this provision is to provide retail investors with the same information regarding staff turnover that institutional investors demand and receive when reviewing a manager's performance.
7. Enhanced Fee Disclosure. The SEC adopted a rule in June that requires mutual funds to provide a rationale for fees in the mutual fund's annual or semi-annual reports. Putnam has additionally agreed to provide this information on the company's web site, and to provide investors with a notice in their periodic statements (typically, quarterly) alerting them to the availability of this information in the annual and semi-annual reports and on the company's web site. The purpose of this provision is to make fee information more accessible to investors, and alert them to its availability.
8. Review of Executive Compensation Proxy Policy. Putnam has agreed to undertake a special review of mutual fund proxy policies and procedures regarding executive compensation, to be completed prior to the 2005 proxy season. Putnam will consider as part of its review the possibility of disclosing potential conflicts of interest at companies with which it has a business relationship. The goal of this provision is for Putnam to pursue voting policies on management and shareholder proposals that promote the long-term best interests of Putnam's mutual fund shareholders, and that set the industry standard for responsible mutual fund proxy voting on executive compensation.



# Putnam Investments' New Commitments to Investors



- ◆ Disclosure of Fees
- ◆ Disclosure of Fund Manager Compensation
- ◆ Disclosure of Senior Management Fund Ownership
- ◆ Expansion of “Holding Periods” for Senior Execs
- ◆ Disclosure of Commissions to Largest Broker/Dealers
- ◆ Disclosure of Key Investment Staff Turnover
- ◆ Enhanced Fee Disclosure
- ◆ Review of Executive Compensation Proxy Policy

# Putnam Investments' New Commitments to Investors

## ◆ Disclosure of Fees

- Web site calculator for retail investors to calculate fees they are paying on actual and hypothetical investments; in periodic statements (typically, quarterly), notify investors of the web site calculator.
- Goal: Greater transparency for investors; encourage competitive market where investors can shop for best fees.

## ◆ Disclosure of Fund Manager Compensation

- Disclosure of aggregate annual compensation paid to each portfolio management team.
- Goal: Greater transparency for investors.

## ◆ Disclosure of Senior Management Fund Ownership

- Disclosure of securities owned by senior management.
- Goal: Make clear to investors whether senior managers' interests are aligned with their own.

# Putnam Investments'

## New Commitments to Investors

- ◆ Expansion of “Holding Periods” for Senior Execs
  - “Holding requirement” that mutual fund employees hold investments in their own funds for at least 12 months expanded to include senior executives and marketing professionals.
  - Goal: Align interests of senior executives and marketing professionals with retail investors; better monitoring of employee trading.
- ◆ Disclosure of Commissions to Largest Broker/Dealers
  - Disclosure of brokerage commissions paid to top tiers of broker/dealers.
  - Goal: Shed more light on mutual fund – broker/dealer relationships.
- ◆ Disclosure of Key Investment Staff Turnover
  - Disclosure of turnover in portfolio management team members for past 12 months, disclosure of name and tenure of lead portfolio managers for 3- and 5- year time frames.
  - Goal: Provide retail investors with same information on fund management that institutional investors demand and receive.



# Putnam Investments' New Commitments to Investors

## ◆ Enhanced Fee Disclosure

- Provide rationale for mutual fund fees on company's web site; in periodic statements (typically, quarterly), notify investors of the availability of this information in annual and semi-annual reports and on web site.
- Goal: Make fee information more accessible to investors, and alert them to its availability.

## ◆ Review of Executive Compensation Proxy Policy

- Special review of mutual fund proxy policies and procedures regarding executive compensation before 2005 proxy season.
- Goal: Promote long-term best interests of investors; set the industry standard for responsible mutual fund proxy voting on executive compensation.